Volume XVIII

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Number 39

As I see

PRESENT SELLING PRICES OF RESIDENCES

THE table on the center spread of this report shows the present average sales price of typical residences in relationship to their sales price for any year in the past since 1925. In order to use the table it is merely necessary to know the selling price in some past year and the age of the property at that time. The table will then tell directly the present average selling price as a percentage of the former selling price, making allowances for all of the factors which have affected value in the meantime, such as changes in replacement cost, accrued depreciation, scarcity premium or surplus discount.

An example or two might simplify the use of the table. Suppose that a typical residence was purchased in 1929 for $7,000. At the time of purchase the residence was seven years old. What, on the average, should be the selling price of that residence in today's market? In order to find the answer it is merely necessary to refer to the 1929 column on the table and read down that column to the seven-year age. The percentage figure will be found of 150.5. In other words, the selling price of this 1929 building, in spite of twenty years additional depreciation, will now be slightly more than half again as high as it was twenty years ago. Applying this figure of 150.5 to $7,000 we find that the selling price today should be roughly $10,500.

This does not mean that every seven-year old building which was sold in 1929 will sell in today's market for 150.5% of its selling price then, any more than a life expectancy table worked out by insurance actuaries can predict the exact life expectancy of any one individual. The mortgage operator, however, would be wise to tie his operations to averages rather than to individual cases, just as the insurance company must tie its rates to mortality tables. If through very careful selection a mortgage lender selects properties that fare better than the average, it is all to the good, and the safety factor in his portfolio is increased. It would certainly be unwise, however, to tie his practice to figures less favorable than the averages shown here.

Some judgment should be used in working from this table. For instance, the factors in the 1945 year column are very much higher than the percentages in the 1946 column. Actually, these percentages do not change sharply on January 1 of each year, but a gradual transition takes place. For a property sold during the winter of 1945-1946 a figure somewhere between the 1945 percentage and the 1946 percentage will probably yield a more accurate answer. The same general principle would hold in any years in which there was a rapid change in the figures.

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WENZLICK'S MARKET

1949 Market Price Of Typical Residence As A Per

Arranged By Age Of The Property At The

Year \ Age	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
0	111.4	116.7	124.7	135.7	139.9	157.7	192.1	214.6	215.4	204.4	206.9	200.0
1	110.6	117.2	125.3	136.3	140.6	158.1	190.7	211.2	212.1	201.3	204.0	197.3
2	110.5	117.6	125.8	137.0	141.3	159.0	189.3	207.7	208.7	198.2	202.0	194.5
3	110.5	119.6	127.1	138.4	142.9	160.9	188.4	205.4	206.4	196.1	200.0	192.7
4	111.6	122.3	130.0	140.8	145.4	163.7	187.4	203.6	204.1	194.0	198.0	190.8
5	112.7	123.8	131.7	142.6	146.4	164.9	186.4	201.7	202.3	191.9	196.0	188.9
6	112.7	125.3	133.4	144.5	148.4	166.2	185.9	200.4	201.1	190.8	195.5	188.6
7	114.3	126.7	135.2	146.1	150.5	168.1	185.3	200.2	201.0	190.8	194.5	187.2
8	115.3	128.0	136.3	147.7	151.8	170.0	185.8	199.4	200.3	190.2	194.1	186.8
9	116.0	129.0	137.4	149.0	153.1	171.6	186.4	201.1	200.8	190.8	193.6	186.4
10	117.5	130.1	138.6	150.3	154.5	173.2	187.0	202.9	202.7	190.2	194.3	187.2
11	117.5	130.3	139.8	150.7	154.9	174.0	187.2	203.5	203.3	192.0	192.6	185.6
12	118.5	131.5	140.2	152.1	156.5	174.8	187.4	205.4	205.3	194.0	193.3	185.2
13	119.5	132.0	140.5	152.6	157.0	175.7	187.5	205.4	205.3	194.0	192.7	184.7
14	120.0	132.6	141.2	153.0	157.5	176.6	187.7	206.0	206.0	194.7	193.4	185.4
15	120.3	133.2	141.9	153.8	158.1	177.5	187.9	206.0	206.0	194.8	192.9	184.9
16	121.4	133.8	142.5	154.6	158.9	177.9	188.3	207.4	207.5	196.3	193.6	185.7
17	121.6	133.4	143.4	155.4	159.9	178.7	188.8	207.4	207.5	196.4	193.7	185.9
18	123.0	134.6	142.9	155.1	159.5	179.5	188.3	208.1	208.4	197.2	193.1	185.3
19	123.4	135.8	144.3	156.0	160.5	180.4	190.5	209.3	209.2	198.1	193.2	185.5
20	124.5	137.2	145.7	157.6	161.5	181.3	190.0	208.9	208.9	197.5	192.6	184.9
21	124.5	137.4	146.0	157.9	161.9	181.0	192.5	208.5	208.6	197.2	194.1	186.5
22	125.6	137.6	146.3	158.2	162.2	181.5	191.9	209.8	209.9	198.6	193.9	186.0
23	126.2	138.2	146.5	158.6	162.6	182.0	193.8	209.4	209.5	198.2	194.4	186.5
24	127.0	138.7	147.2	158.9	163.1	182.5	195.7	210.7	210.0	198 8	194.1	186.3
25	128.1	139.3	147.8	159.7	163.5	183.0	197.8	210.2	211.5	198.6	194.0	186.0
26	128.6	139.9	149.3	160.4	164.3	183.5	198.2	212.6	212.0	200.0	193.5	185.8
27	129.6	140.6	149.2	161.2	165.1	184.5	198.6	212.2	211.7	199.7	194.0	185.6
28	131.5	141.9	149.9	162.0	166.0	185.5	201.3	213.7	213.2	201.2	194.5	186.1
29	132.6	143.3	151.4	162.9	166.9	186.5	202.2	214.7	213.9	201.8	195.0	186.7
30	133.1	144.7	152.9	164.5	167.8	187.6	203.2	215.8	215.0	202.5	195.6	187.2
31	134.3	146.3	153.9	165.6	168.9	188.0	202.3	216.1	215.3	202.8	196.1	187.8
32	135.6	146.3	155.0	166.7	170.1	189.3	203.4	216.4	215.7	203.2	197.2	188.4
33	136.4	147.9	156.0	167.9	171.3	190.6	203.4	216.7	216.0	203.6	198.3	189.5
34	136.9	148.0	157.0	169.0	172.5	192.0	205.4	218.2	216.4	204.0	199.4	190.6
35	138.4	149.6	158.2	170.3	173.7	193.4	207.6	219.6	217.8	204.4	200.5	191.7
36	138.6	151.4	159.0	171.2	174.7	194.5	207.7	222.0	220.2	206.7	200.9	192.1
37	140.2	151.5	159.8	172.1	175.6	195.5	208.9	224.5	222.7	209.7	202.3	192.6
38	141.9	152.4	160.7	173.0	176.6	196.7	210.1	227.1	225.4	211.5	203.7	193.9
39	143.7	155.1	162.4	174.0	177.6	197.8	211.3	227.3	225.6	211.8	205.2	195.3
40	144.6	156.1	164.2	175.9	178.7	199.0	212.6	230.0	228.3	214.4	206.7	196.9
41	145.6	157.1	165.3	177.0	179.8	199.2	212.8	231.3	229.7	215.6	207.4	197.5
42	147.3	156.1	166.4	178.3	181.0	200.5	212.9	232.7	231.0	216.9	208.0	198.1
43	148.2	159.2	167.5	179.4	182.3	202.0	214.2	234.0	232.4	218.2	208.7	198.8
44	149.9	160.3	168.7	180.7	183.5	203.4	215.5	236.7	233.8	219.6	209.4	199.5
45	150.8	161.4	169.8	181.9	184.8	204.8	216.9	239.5	236.6	221.0	210.2	200.2
46	151.9	162.2	170.6	182.8	187.7	205.8	217.7	241.8	238.8	223.1	211.0	201.0
47		162.9	171.4	183.7	186.5	206.7	218.7	244.1	241.1	225.3	212.8	201.7
48			172.2	184.6	187.4	207.8	219.5	243.5	243.6	227.5	214.8	203.6
49				185.4	188.4	208.7	220.4	249.0	246.0	229.9	216.8	205.5
50					189.3	209.8	221.4	251.6	248.5	232.2	218.9	207.5
51						210.3	222.4	252.1	249.1	232.7	219.9	208.5
52							223.3	252.7	249.8	233.4	221.0	209.5
53								253.4	250.4	234.0	222.0	210.5
54									251.6	234.6	223.1	211.5
55										235.2	224.2	212.6
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T PRICE CALCULATOR

ercentage Of Market Prices In Any Year From 1925

he Beginning Of The Period Of Comparison.

1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
188.3	197.4	198.7	187.9	172.8	166.2	171.8	164.1	144.3	108.1	100.9	97.7	100.0
188.6	195.7	197.1	188.0	173.0	165.0	168.3	160.8	141.1	106.9	100.4	98.0	100.0
185.0	193.9	195.4	189.2	173.3	163.7	165.5	157.5	138.6	105.1	98.9	97.8	100.0
183.3	192.1	193.7	190.4	174.5	162.4	162.8	154.8	135.6	103.3	96.9	97.0	100.0
182.5	190.2	192.0	191.8	175.8	162.0	160.3	152.2	132.7	101.4	95.1	95.7	100.0
181.6	189.3	190.2	193.2	177.2	161.5	158.7	149.4	130.3	100.3	93.3	94.2	100.0
181.2	188.8	189.7	193.3	177.4	161.6	158.7	147.5	128.1	99.5	91.9	93.4	100.0
180.7	188.2	189.2	194.4	177.7	161.7	158.7	147.1	126.7	98.6	90.4	92.7	100.0
180.3	187.7	188.8	195.6	178.8	161.8	158.7	146.4	125.1	98.3	88.9	91.9	100.0
180.3	187.1	188.2	196.9	180.1	162.7	158.7	145.3	123.6	98.0	87.8	91.1	100.0
180.3	187.0	187.7	198.2	181.4	163.7	159.5	144.0	122.0	97.7	86.7	90.8	100.0
180.4	186.4	187.3	198.1	181.3	163.7	159.6	144.2	120.3	97.3	85.7	90.1	100.0
180.4	185.9	186.8	198.4	181.2	163.7	159.6	144.4	119.3	96.9	84.6	89.4	100.0
180.5	185.3	186.2	198.8	181.6	163.7	159.7	143.7	118.2	97.1	83.5	88.7	100.0
181.7	184.6	185.7	199.2	182.1	164.2	159.8	143.1	117.1	97.2	82.8	88.0	100.0
183.0	185.2	185.2	199.6	182.5	164.7	160.4	143.2	116.0	97.3	82.0	87.7	100.0
184.0	185.8	185.8	199.2	182.2	164.5	160.5	142.1	115.1	97.4	81.4	87.4	100.0
186.6	186.4	186.4	199.9	181.8	164.3	160.7	141.6	114.5	97.4	80.7	87.1	100.0
187.8	187.0	187.1	200.8	182.6	164.1	161.0	141.4	113.9	97.8	80.0	86.7	100.0
189.0	187.7	187.8	201.6	183.5	165.0	161.0	140.2	113.2	98.1	79.6	86.4	100.0
190.3	188.3	188.5	202.5	184.3	165.9	162.2	138.9	112.5	98.5	79.1	86.3	100.0
191.8	189.0	189.3	202.8	184.6	166.3	163.0	139.5	111.6	98.3	78.6	86.0	100.0
192.4	190.1	190.1	203.0	184.9	166.7	163.9	140.0	111.3	98.2	78.1	85.7	100.0
193.0	190.5	190.9	203.3	185.2	167.1	164.7	139.6	111.1	98.6	77.6	85.4	100.0
194.1	191.3	191.8	203.6	185.5	167.6	165.6	141.2	110.8	99.1	77.6	85.1	100.0
195.2	192.6	192.7	203.9	185.9	168.0	166.6	138.7	110.6	99.6	77.6	85.3	100.0
195.4	193.2	193.4	203.8	185.9	168.2	166.7	138.3	110.3	99.6	77.6	85.2	100.0
195.7	194.0	194.1	204.2	185.8	168.4	166.9	137.8	110.0	99.7	77.6	85.1	100.0
196.8	194.4	194.8	204.5	186.2	168.6	167.0	137.4	109.7	99.7	77.6	85.0	100.0
198.0	195.1	195.6	204.8	186.6	169.2	167.2	136.9	109.4	99.7	77.6	84.9	100.0
200.1	196.7	196.3	205.2	187.0	169.7	167.6	136.4	109.1	99.8	77.6	84.8	100.0
200.5	196.7	196.5	204.7	186.6	169.6	167.5	135.7	108.9	99.6	77.6	84.8	100.0
200.9	196.8	196.6	205.1	186.2	169.6	167.4	135.0	108.9	99.5	77.6	84.8	100.0
201.3	196.9	196.7	205.5	186.6	169.5	167.2	134.3	108.9	99.5	77.6	84.8	100.0
202.2	197.1	196.9	205.9	187.0	170.1	167.1	133.6	109.0	99.5	77.7	84.8	100.0
203.0	197.6	197.0	206.3	187.5	170.7	167.6	132.9	109.0	99.6	77.8	84.9	100.0
203.0	197.3	196.8	206.3	187.5	171.1	167.8	132.6	108.8	99.3	77.8	85.4	100.0
203.0	197.1	196.6	206.8	187.5	171.4	168.1	132.4	109.2	99.0	77.7	85.0	100.0
203.0	196.8	196.4	207.2	188.0	171.7	168.4	132.2	109.5	99.1	77.6	85.0	100.0
203.9	196.5	196.1	207.6	188.4	172.5	168.6	132.0	109.8	99.2	77.9	85.0	100.0
204.9	197.2	195.9	208.2	188.9	173.2	169.3	131.8	110.2	99.3	78.1	85.4	100.0
205.9	197.9	196.6	207.7	188.5	172.4	169.2	131.6	110.7	99.0	78.1	85.4	100.0
207.1	198.6	197.3	208.2	188.1	171.6	169.1	131.4	111.6	98.8	78.2	85.3	100.0
208.1	199.3	198.0	208.7	188.6	170.8	169.0	131.3	112.4	98.7	78.2	85.3	100.0
209.2	200.1	198.8	209.2	189.1	170.7	168.9	131.0	113.3	98.7	78.4	85.2	100.0
210.4	200.8	199.6	209.7	189.5	170.7	169.6	130.9	114.2	98.6	78.6	85.3	100.0
210.5	200.7	199.4	209.8	189.6	171.1	169.6	131.3	114.8	98.5	78.4	85.1	100.0
210.6	200.5	199.3	209.8	189.7	171.5	169.5	131.8	115.9	98.5	78.2	85.0	100.0
210.6	200.3	199.2	209.8	189.7	171.9	169.5	132.2	117.1	98.9	78.0	84.8	100.0
211.8	200.1	199.0	209.9	189.8	172.3	169.4	132.7	118.4	99.4	78.2	84.5	100.0
213.0	201.0	198.9	209.9	189.8	172.7	169.3	133.2	119.7	99.8	78.4	84.7	100.0
214.3	201.9	199.8	209.3	189.3	172.5	169.3	133.4	120.6	99.5	78.3	84.9	100.0
215.6	202.9	200.7	209.9	188.8	172.2	169.2	133.7	121.5	99.2	78.3	84.8	100.0
216.9	203.8	201.6	210.4	189.3	172.0	169.2	133.9	122.4	99.0	78.8	84.9	100.0
218.2	204.8	202.6	211.1	189.9	172.6	169.1	134.2	123.4	98.7	78.1	84.9	100.0
219.5	205.8	203.6	211.7	190.4	173.3	169.9	134.5	124.4	98.4	78.0	84.9	100.0
220.9	206.2	204.0	212.2	191.0	174.0	170.8	135.4	125.2	98.1	77.8	84.8	100.0
222.4	206.7	204.5	212.9	191.5	174.7	171.7	136.4	126.7	97.8	77.6	84.6	100.0
223.9	207.2	205.0	213.5	192.1	175.4	172.6	137.5	128.2	98.1	77.3	84.5	100.0
	207.7	205.5	214.1	192.7	176.2	173.5	138.5	129.8	98.3	77.5	84.3	100.0
		205.9	214.8	193.3	176.9	174.4	139.6	131.5	98.5	77.6	84.6	100.0
			214.8	193.3	176.9	174.4	140.1	132.6	98.5	77.8	84.7	100.0
				193.4	177.0	173.4	140.6	133.7	98.4	78.0	84.9	100.0
					177.0	174.4	141.1	134.9	98.4	78.2	85.0	100.0
						174.4	141.7	136.1	98.4	78.4	85.1	100.0
							142.2	137.3	98.3	78.5	85.2	100.0
								137.9	98.1	78.4	84.9	100.0
									97.8	78.3	84.7	100.0
										78.2	84.4	100.0
											84.1	100.0
												100.0

This is the first of a series of tables, all based on the same general research, which will deal with the fluctuations of selling prices in the past and projections of changes in selling price for the next fifteen years.

TECHNICAL NOTES

Since 1928 this company has been trying to construct a satisfactory index of selling prices of typical residences. During this period of 20 years, many methods have been tried and all have been found only fairly satisfactory. Recently, however, a new approach has been made to the problem with results which, in my opinion, are quite significant. The table on the center spread of this report is based on the new methods just developed.

The great difficulty in constructing sales indexes has been that each piece of real estate is unique and different from every other piece. No matter how many thousands of actual sales prices are compiled and averaged, a change in the average selling price may merely indicate that newer properties are being sold or that the sales activity is concentrated in areas of higher priced homes. A drop in the average selling price might indicate a great deal of activity in very small houses.

We have tried many ways to solve this problem. We have tried separating the sales and averaging by the number of rooms. We have tried relating the sales price to the assessed value at the time of the sale, assuming that if assessment of the property was on a fairly equitable base the percentage of the sales value to the assessment might give us a relative base for computing changes in value. In the average city we have not been satisfied with the results secured from any of these methods nor have we found satisfactory the attempt frequently made to arrive at average selling price through a study of the classified for sale advertisements in the newspapers, although a study has been made of the newspaper files for this purpose back to 1870.

Our present studies of selling price are based primarily on the relationship of the selling price of any particular property to its replacement cost new. Thousands of sales have been computed on this basis and averaged separately for properties of each age; these averages were then charted and studied. It was found that the relationship of selling price to replacement cost new on properties of older ages varied considerably as the real estate cycle changed. If the difference between selling price and replacement cost new be generally referred to as depreciation, the depreciation will show great variation between such years as 1925, 1933 and 1947. In high scarcity years, age of property made relatively little difference in the selling price. In surplus years like 1933, the age of the property brought about a tremendous deduction in selling price.

ROY WENZLICK